

VZCZCXRO7410
RR RUEHBC RUEHDBU RUEHDE RUEHKUK RUEHLH RUEHMOS RUEHPA RUEHPW
DE RUEHNK #0111/01 0371722
ZNY CCCCC ZZH
R 061722Z FEB 06
FM AMEMBASSY NOUAKCHOTT
TO RUEHC/SECSTATE WASHDC 5134
INFO RUEHZK/ECOWAS COLLECTIVE
RUCNISL/ISLAMIC COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0208
RUEHBAD/AMCONSUL PERTH 0172
RUEAIIA/CIA WASHDC
RUEKDIA/DIA WASHDC
RUEHNO/USMISSION USNATO 0120
RUCPDOG/USDOC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 NOUAKCHOTT 000111

SIPDIS

SIPDIS

STATE FOR AF/W; AF/EPS (A. ADLER, J. HAENI)
EB/ESC/IEC (K. RIOS)
EB/CBA (D. WINSTEAD)
4510/IEP/ANESA/OA/PMICHELINI
6930/ITA/MAS/MFG/OEEI/ABRICKMAN
DAKAR FOR RSCO CGRIFFIN

E.O. 12958: DECL: 02/05/2016
TAGS: [BBSR](#) [EINV](#) [EPET](#) [ECON](#) [EFIN](#) [MR](#)
SUBJECT: OIL DISPUTE PROCESS BEGINS; FIRST OIL STARTS FEB.
17

REF: A. NOUAKCHOTT 0067
[1](#)B. FBIS GMP20060205710051

Classified By: Classified by Amb. Joseph LeBaron, Reason 1.4 (b),(d)

(C) KEY POINTS

-- Australian Woodside Energy Ltd. announced February 3 that Mauritania has opened a formal dispute resolution process over four amendments to the production sharing contracts associated with the offshore Chinquetti field.

-- Junta leader Fal told Mauritians in a national address last night that the amendments cut the state's oil revenue share, lowered taxes, and scrapped bank guarantees that were in the initial contract. Mauritians appear to be rallying behind Fal, approving strongly of his position.

-- Meanwhile, the former minister of oil remains in prison on corruption and fraud charges. At the same time, Woodside says it is on schedule for the production of first oil on February 17.

(C) COMMENTS

-- Both sides are keeping the exact details of this dispute close to their vests, even as both sides appear to see the Embassy as an influential player in the intensifying dispute.

-- While not judging the merits of the Mauritanian complaint, it appears to us that the Mauritians have started down a path that could lead to a delay in the production of first oil.

-- The steep rise in oil prices unquestionably is a major factor in the dispute. The Prime Minister told Ambassador that the Production Sharing Contract and amendments, as written, do not equitably share the increased profits brought on by the steep rise in oil prices. Because they don't, the Mauritanian government could never justify to the Mauritanian

people the current agreements with Woodside.

End Key Points and Comments.

¶1. (U) On February 3, Woodside published a "Notification of Dispute" to the Australian stock market stating that Woodside is continuing discussions to resolve the dispute. Post understands that the PSCs allow for a 90-day "cooling off" period before the dispute goes to arbitration.

¶2. (U) In a public address on the dispute on February 5, Colonel Fal said that the amendments were illegal and favored Woodside, stating they were "detrimental to the Mauritanian state" as they "harmed national interests. (Ref B)"

¶3. (C) Prime Minister Sidi Mohamed Ould Boubacar called in Ambassador February 3 to explain the Mauritanian position:

-- The basis of the Mauritanian dispute is that the Production Sharing Contract and amendments, as written, do not equitably share the increased profits brought on by the steep rise in oil prices.

-- The Mauritians are concerned that Woodside's notification suggested that the dispute will likely go to arbitration. The Mauritians want to settle before the dispute goes to arbitration in Paris.

-- The Mauritanian government wants to assure Woodside and other investors that the government intends to abide by law and ethical practices in its dealings, so investors should have nothing to fear.

NOUAKCHOTT 00000111 002 OF 002

-- Mauritania wants to work with Woodside on a compromise without further agitating the public or the markets.

¶4. (C) The Prime Minister also lamented that Woodside sent only a technical level mission to negotiate. He suspected that the level was not sufficiently high enough to make decisions. (Note: The Embassy has since learned that Woodside Senior Corporate Affairs Director Gary Gray will be visiting Mauritania on February 7. End Note)

¶5. (C) Woodside's Mauritania General Manager John Ozturgut told Ambassador on January 30 that the Mauritanian government's position continues to be for Woodside to declare the four amendments "null and void" before negotiations, something Woodside refuses to agree to.

¶6. (C) The Woodside team met with the Prime Minister, Minister of Energy and Petrol, Minister of Finance and the Central Bank Governor. According to Ozturgut, also present on the Mauritanian side was the powerful businessman Mohamed Hmayen Bouamatou and his guest, and a French anti-corruption activist "Anton Guidon". Ozturgut reported that during the meeting the Minister of Energy and Petrol appeared to be "anxious and agitated." The Mauritians told Woodside they wanted to resolve the dispute rapidly. "We have a man in jail because of these amendments," to which Woodside responded "this is a criminal investigation and has nothing to do with us."

¶7. (C) Ozturgut remains suspicious that the Mauritanian's demand to declare the amendments "null and void" is a ruse to later cancel the entire PSC. He stated that the amendments were passed as a law by Parliament and the government does not have the authority to cancel any law without the consent of a court and Parliament. Ozturgut was confident that arbitration court would side with Woodside on the legality of the documents.

¶8. Ozturgut postulates that Bouamatou and Chief of the Presidential Guard Force and junta member Col. Mohamed Abdel Aziz are behind the effort to have the amendments cancelled.

He is unable to determine what role Fal has in all of this.

¶9. (C) Prior to the arrival of the team, the Prime Minister spoke with Woodside's CEO Don Voelte. Ozturgut said Fal refused to talk to Voelte over this matter, whereas the Prime Minister said that Fal was receiving a delegation at the time and was unavailable. Boubacar asked Voelte to come himself, but instead sent a lower level mission. Ozturgut suggested that the team in fact did not have the power to close a deal, only to discuss details of the contract, something the Mauritians were not interested in doing.

¶10. (C) Post recently received a letter from the London office of the New York based law firm LeBoeuf, Lamb, Greene and MacRae seeking Embassy assistance in recovering \$192,187.12 they claim is owed to them by the Mauritanian government. The London-based firm (with offices in New York) had assisted in the financing agreement between Sterling Energy and Mauritania's state oil company Groupe Projet Chinguetti (GPC). This letter states that Sterling gave the Mauritanian government a 15.5 million USD signing bonus and a letter of credit in the amount of \$130 million USD.

¶11. (C) Ozturgut confirmed that Woodside plans to go ahead with first oil on schedule, even though they have not received all the proper approvals from the ministry. Woodside is documenting every unanswered request so as "to leave a legal paper trail." Dana Petroleum, a member of the consortium, has encountered the same problems. Ozturgut is not sure if these delays are willful as the arrest of the former oil minister has had a chilling effect throughout the ministry. "No one wants to take any action and find themselves arrested by the next government."
LeBaron